

Message Text

LIMITED OFFICIAL USE

PAGE 01 TAIPEI 06975 210900Z

20

ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 DODE-00 PA-01 USIA-06 PRS-01 SAJ-01 PM-03 L-02

H-01 AGR-05 /083 W

----- 055205

R 210758Z NOV 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 3495

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE TAIPEI 6975

E.O. 11652: N/A

TAGS: ECON, TW

SUBJECT: GROC ANNOUNCES MEASURES TO STIMULATE ECONOMY

HONG KONG PASS TREASURY REP

REF: TAIPEI 6850

1. SUMMARY. GROC ANNOUNCED ON NOVEMBER 14 SERIES OF MEASURES DESIGNED TO STIMULATE ECONOMY, ESPECIALLY EXPORT SECTOR. PROGRAM FOLLOWED ONLY TWO WEEKS AFTER PREMIER'S MEETINGS WITH EXPORT INDUSTRIES AND CONTAINS SEVERAL DIRECT RESPONSES TO SUGGGSTIONS MADE IN THOSE MEETINGS. MOST SIGNIFICANT STEPS WERE REDUCTION OF BANK RESERVE REQUIREMENTS FROM 10 PERSENT TO 7 PERCENT AND LIFTING OF BAN ON CONSTRUCTION OVER STORIES. BUSINESS COMMUNITY, INCLUDING US, IMPRESSED WITH QUICK RESPONSE TO SUGGESTIONS TO PREMIER. FURTHER MEASURES ARE EXPECTED TO BE ANNOUNCED SOON. END SUMMRY.

2. GROC ON NOVEMBER 14 ANNOUNCED SERIES OF MEASURES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TAIPEI 06975 210900Z

DESIGNED TO STIMULATE ECONOMY, ESPECIALLY EXPORT SECTOR.

PROGRAM FOLLOWED ABOUT TWO WEEKS KAFTER PREMIER'S MEETINGS WITH EXPORT INDUSTRIES REPORTED REFTEL. MEASURES ARE DIVIDED INTO THREE PARTS, FINANCIAL, TAXATIKON AND GENERAL ECONOMIC.

3. FINANCIAL MEASURES WERE: (A) BANK RESERVE REQUIREMENT WAS REDUCED FROM 10 PERCENT TO 7 PERCENT; (B) DOWN PAYMENT ON 4 MAJOR TYPES OF IMPORT LETTERS OF CREDIT WAS REDUCED FROM 20 PERCENT TO 15 PERCENT (EXPORT LETTERS OF CREDIT FINANCED BY BANKS WILL NO LONGER BE LIMITED TO 6 MONTHS,AS AT PRESENT, FOR MACHINERY INDUSTRY); (C) PRODUCTIVE ENTERPRISES MAY ONCE AGAIN BORROW FOREIGN CURRENCY FOR CONVERSION TO LOCAL CURRENCY FOR USE AS WORKING CAPITAL (A PRACTICE SUSPENDED JANUARY 1, 1973); (D) TERMS OF REPAYMENT OF LOANS TO TEXTILE, PLYWOOD AND IRON AND STEEL COMPANIES USED TO FINANCE IMPORTS OF RAW MATERIALS HAVE BEEN EXTENDED FOR THREE OR SIX MONTHS AND GOVERNMENT ORGANIZATIONS WILL PLACE ORDERS FOR PRODUCTS OF THESE COMPANIES AHEAD OF TIME; (E) EXPORT-ORIENTED FACTORIES MAY BORROW AGAINST COMMERCIAL DOCUMENTS (L/S) TO PURCHASE RAW MATERIALS; AND (F) SPECIAL MEASURES WILL BE ANNOUNCED TO HELP SMALL AND MEDIUM FARMS.

4. TAXATION MEASURES WERE: (A) INSTALLMENT PAYMENTS OF IMPORT DUTIES ON MACHINERY AND EQUIPMENT IN NEW PLANTS MAY BE POSTPONED IF START UP DELAYED BECAUSE OF LACK OF ORDERS; (B) PRECISION MACHINERY AND EQUIPMENT IMPORTED BY EXISTING PLANTS TO UPGRADE QUALITY WILL BE ELIGIBLE FOR EXEMPTION FROM DUTY; (C) MANUFACTURERS WILL BE ALLOWED TWO YEARS INSTEAD OF ONE YEAR TO EXPORT FINISHED PRODUCTS AND QUALIFY FOR REBATE OF DUTIES ON IMPORTED RAW MATERIALS.

5. GENERAL ECONOMIC MEASURES WERE: (A) BAN ON CONSTRUCTION OF BUILDINGS OVER FOUR STORIES WAS LIFTED; (B) PURCHASE OF LOCALLY-PRODUCED RAW MATERIALS, MACHINERY AND COMPONENTS IS TO BE ENCOURAGED; (C) EFFORTS WILL BE MADE TO EXPAND EXPORTS THROUGH COOPERATIVE EFFORTS TO REDUCE PRODUCTION COSTS, MORE TRADE MISSIONS AND PARTICIPATION IN INTEKRNATIONAL TRADE FAIRS; AND (D) COOPERATION BETWEEN CUTBACKS IN PRODUCTION WILL BE ENCOURAGED.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TAIPEI 06975 210900Z

6. GOVERNMENT PRESS RELEASE CONTAINING TEXT OF PROGRAM REFERRED TO PROPOSALS MADE BY FOREIGN INVESTORS (SEE REFTEL) AND SAID OTHER SPECIFIC ANSWERS TO THOSE PROPOSALS WOULD BE GIVEN AFTER FURTHER STUDY.

7. SOME OF THE MEASURES ANNOUNCED HAVE BEEN UNDER CONSIDERATION FOR SOME TIME AND ARE DESIGNED TO BENEFIT

ECONOMY ACROSS THE BOARD, FOR EXAMPLE, REDUCTION OF RESERVE REQUIREMENTS TO INCREASE MONEY SUPPLY. OTHER MEASURES WERE SPECIFIC RESPONSES TO SUGGESTIONS MADE BY EXPORT INDUSTRIES IN MEETINGS TWO WEEKS EARLIER WITH PREMIER, FOR EXAMPLE MEASURES 3(C) AND 4(B) WERE IN RESPONSE TO JPROPOSALS MADE BY FOREIGN INVESTORS. PROPOSAL 3(C) HAD BEEN MADE BY PRESIDENT OF AMERICAN CHAMBER OF COMMERCE AT REQUEST OF AMERICAN BRANCH BANKS AND 4(B) HAD BEEN MADE BY MANAGER OF RCA PLANT. OTHER SPECIFIC SUGGESTIONS FROM PREMIER'S MEETINGS STILL UNDER STUDY - ESPECIALLY QUESTION OF GREATER FLEXIBILITY IN LABOR LAWS AND REGULATIONS.

8. COMMENT: BUSINESS COMMUNITY, INCLUDING US, IS QUITE IMPRESSED WITH QUICK RESPONSE OF GROC TO SPECIFIC SUGGESTIONS MADE BY EXPORT INDUSTRIES, ALTHOUGH SOME OF THE IDEAS HAD BEEN PROPOSED SEPARATELY EARLIER. THERE IS A GENERAL FEELING IN THE COMMUNITY, HOWEVER, THAT MORE NEEDS TO BE DONE AND THE GROC DOES INDEED INTEND TO TAKE FURTHER MEASURES AS PROBLEMS ARE EXAMINED. THERE REMAINS CONSIDERABLE PRESSURE FOR DEVALUATION OF THE NEW TAIWAN DOLLAR. HOWEVER, ANY CHANGE IN EXCHANGE RATE IS UNLIKELY AT LEAST UNTIL 1974 ECONOMIC PERFORMANCE AND 1975 PROSPECTS HAVE BEEN EVALUATED. UNGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, PUBLIC DISCLOSURE, ECONOMIC PROGRAMS, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TAIPEI06975
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740337-0173, D740337-0114
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741122/aaaaasnd.tel
Line Count: 140
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TAIPEI 6850
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 12 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Aug-2002 by rowelle0>; APPROVED <17 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GROC ANNOUNCES MEASURES TO STIMULATE ECONOMY HONG KONG PASS TREASURY REP
TAGS: ECON, TW
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005